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SENSITIVE

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SUBJECT: NEW MINISTERS DISCUSS CONTINUITY, BUT NO DETAILS
IN EARLY MEETINGS WITH AMBASSADOR

REF: COLOMBO 0647

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11. (SBU) Summary: In introductory meetings with Ambassador in April and May, the Ministers of Commerce and Consumer Affairs, Power and Energy, Investment and Tourism, Environment and Natural Resources and Ports and Aviation stated that many existing programs would continue, reforms would be modest, and no major new initiatives were planned. A common theme in the discussions was the plan in each ministry to be responsive to popular demands raised during the election. End summary.

12. (SBU) Continuing his series of introductory meetings, Ambassador met with Jeyeraj Fernandopulle Minister of Commerce and Consumer Affairs; Susil Premajayantha, Minister of Power and Energy; Anura Bandaranaike, Minister of Industry, Tourism and Investment Promotion; AHM Fowzie, Minister of Environment and Natural Resources and Mangala Samaraweera, Minister of Ports and Aviation (see reftel for biodata). Ambassador informed each Minister of ongoing or upcoming USG programs and solicited agreement to continue. Each Minister said that many of the existing programs would continue, expressed appreciation for support they have received in the past, and assured Ambassador of continuing cooperation.

13. (SBU) The Ministers were not prepared to engage on specific issues in depth and requested additional information on USG programs. Each Minister referred to the necessity for his Ministry to take early, concrete steps to appear responsive to the needs of the population. (Note: The new government believes the opposition's defeat in recent elections was due primarily to its inattention to the rural population's perception that their concerns were not addressed. End note.) Specific issues discussed in each meeting are outlined below.

Commerce Minister Wants FTA

14. (SBU) New Commerce and Consumer Affairs Minister Jeyeraj Fernandopulle listened quietly as the Ambassador recounted key US concerns regarding some trade disputes, IPR enforcement and the status of the Doha Round. When the Ambassador raised TIFA, however, Fernandopulle lit up and said "When can we sign an FTA?" The Ambassador carefully walked Fernandopulle through the process of trade negotiations. Fernandopulle, (who Econchief later learned had been briefed by representatives of the apparel manufacturing industry immediately prior to the Ambassador's visit), then asked how to get the process restarted. The Ambassador suggested a letter to USTR indicating continued interest, actions to resolve outstanding trade disputes and support for trade liberalizing processes in the WTO and upcoming UNCTAD meetings. The Ambassador was careful to note the realities of several ongoing US trade negotiations and the upcoming US presidential elections. He urged Fernandopulle to take FTA into consideration as a long-term trade-enhancing goal, noting that progress this year was unlikely. Fernandopulle suggested he would try to meet with USTR Zoellick in Washington, following his participation in the UNCTAD meetings in Brazil on June 15 and 16.

Ports and Aviation Minister Wants Development Assistance

15. (SBU) Minister of Ports and Aviation Samaraweera admitted he had no background in these fields, but said he planned to move forward on big projects, including major development of the southern port of Hambantota, a smaller yacht port at Galle and airports at Koggala for tourism and Wellawatte as an alternate international airport. He agreed to continue with Customs efforts to make Colombo a Container Security Initiative port. When queried by Ambassador about the halted airport privatization, Samaraweera said the GSL was open to a public/private partnership instead. The Minister requested visits by the regional TSA representative to discuss security implications of opening airspace to more tourist flights around the island. He was also interested in the proposed visit by USTDA representatives to discuss other aviation projects.

Power and Energy Minister Wants Progress on Projects

16. (SBU) Power and Energy Minister Premajayantha assured Ambassador that the planned unbundling, of power generation, transmission and distribution would go forward. He agreed that cheap base load power was needed, and said the new government would move forward on some stalled projects, including the controversial Kotmale Dam, which had been delayed by public protests. Ambassador briefed on the TDA grant to conduct a feasibility study for a 300 MW coal plant. The Minister responded positively, and said the Ceylon Electricity Board would be responsible for working with the USG on the study. He expressed appreciation for the wind and solar maps donated by USAID, and confirmed the interest of many firms in the GSL plans to lease offshore blocks for oil and gas exploration.

Investment Minister Wants To Remove Obstacles

17. (SBU) Minister Bandaranaike was joined by the new Ministry Secretary Dr. U Vidanapathirane, and Board of Investment

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(BoI) Chairman, Lalith de Mel. Commenting on his broad portfolio, the Minister agreed with Ambassador that export diversification was important, and that Sri Lanka needs to do a better job in promoting itself to potential investors. The chairman briefed on new BoI efforts, including: monthly meetings to address investors, problems, the creation of a land bank, so investors are saved the hassle of finding and gaining approval for land, an effort to recruit local (as well as foreign) investment, and a campaign to entice international Fund managers to invest in Sri Lanka. The plan for tourism includes upgrading existing infrastructure, facilities and services, not to increase capacity, but to be able to charge more. Ambassador noted that infrastructure upgrades would be essential before prices could be increased.

Environment Minister Wants Quick Results

18. (SBU) Environment Minister HML Fowzie said his priorities are infrastructure improvement, quick results and protection of the people through protection of the environment. He said he would do his best to help investors, and was ready to be supportive on issues raised by Ambassador including on individual investment cases, and with the Tropical Forest Conservation Act.

19. (SBU) Comment: Each Minister was gracious and welcoming, but not well briefed. The bilateral initiatives described by the Ambassador were not familiar, and each requested more information on specific programs. The agreement that many programs started under the previous regime would continue was welcome. It appears that the Ministers were still waiting for direction from party leadership. End comment.

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